Example

Nijat has RM1000 in his credit card in J
He did not make the minimum payment.
Financial charge = 18% annually on the transaction for 50 da
Assume Nijat dont use credit card in july

Outstanding balance → Finance charge
RM 1000

RM1000 × 18% × 50 / 365
= RM 24.66

Late payment RM1000 × 1%
= RM10

Current amount in July
= OB + FC + LP
= 1000 + 24.66 + 10
= RM 1034.66

Flat rate interest

Smart credit usage

- Select credit card with best offers, some credit card imposes annual fees
- use ATM on ATM machine, not credit

Advantages

- easy to use for cashless payment
- provides repayment service with interest free.
- gives rewards, gift

- easy to overspent
- exceeding repayment
- high risk credit fraud

Wise management

- make budget
- start saving
- borrow wisely
- enrol auto-billing for bill payment

(i) **Finance charge**
- applied on unpaid outstanding amount after interest free period (20 days normally)
- the charge: 15%, 18%, 17% to outstanding balance annually

(ii) **Minimum payment**
- 5% of total balance or RM 50 minimum

Late payment charge
- charge imposed (dikenakan) who are late or fails to pay minimum charge within interest free period.
- 1% or RM10 minimum
- Credit holder that fails to pay minimum payment is charged — financial charge (i) / late payment charge (ii)

Flexibility
- provided by bank
- for credit card holder
- settle final balance or make minimum payment in interest free period

Impacts of minimum and late payment

- When you are receiving something valuable from another party, you receiving CREDIT
- At the same time, you bearing DEBT
- DEBT can be repayed

Credit and Debt ⑥

Chapter 8: Savings and Investment, Credit and debt

① Savings and Investment

Savings
- provide protection to money
- grow due to interest

- Savings account
- Fixed deposit account
- Current account

Investment
- does not guaranteed fixed return
- higher return, higher risk

- shares
- unit trust
- real estate

② simple interest and compound interest

Simple Interest

$I = PRT$ (I: interest, P: principal, R: rate, T: time)

Total savings = P + PRT

Compound interest - interest received that accumulated

$MV = P(1 + \frac{r}{n})^{nt}$

MV, matured value
r = annual interest rate
n = number of time interest compound per year

	Interest	Total
0	-	8000
1	8000 × 3% = 240	8240
2	8240 × 3% = 247.20	= 8487.20
3	8487.20 × 3% = 254.62	= 8741.82

③ Return of Investment (ROI)

ROI - the ratio of profits or losses against the real value of the the initial investment

$ROI = \frac{\text{Total return}}{\text{Value of initial investment}} \times 100\%$

Gains in investment

dividend, rent, (positive) capital gain, capital loss (-ve)

↳ +ve ROI - generate profits
↳ -ve ROI - suffered loss

Types of Saving/Investment		Risk	Return	liquidity
Savings	Saving account	Risk free	low	high
	Fixed deposit account	Risk free	low	high
Investment	Real estate	low	High	Low
	Unit trust	low	Moderate	High/Moderate
	Share	high	High	Moderate

⑤ **example**

month	Jan	Feb	March
Prices of share unit	1.90	2.00	1.70

Invest 12000
= 12 000 / 3 = 4000 ringgit each month

unit	
4000 / 1.90 = 2105	2105 + 2000 + 2352 = 6457 unit
4000 / 2 = 2000	12 000 / 6457
4000 / 1.70 = 2352	= RM1.86

average cost per share for share investment ④

- applied on vechicle
- formula same as simple interest

Interest on balance

monthly installment = $\frac{A}{N}$, $A = P + PR$

- price fluctuation of share and unit trust gives impact towards gain

How to solve
- ringgit averaging cost strategy
↳ risk reduction
- is implemented by continuously and repeatedly investing fixed amount into specific investment without considering share market condition

average cost

= $\frac{\text{investment amount}}{\text{number of unit share owned}}$

Number of unit = $\frac{\text{Investment amount}}{\text{Price unit}}$

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